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November 18, 2004

Public Employees' Retirement Board
 State of Montana

Dear Members of the Board:

Actuarial valuations are normally performed every two years, as of July 1st of each even-numbered year. The previous valuations were performed as of July 1, 2002. We have now completed actuarial valuations as of July 1, 2004 for the following retirement systems:

- Public Employees' Retirement System
- Municipal Police Officers' Retirement System
- Game Wardens' and Peace Officers' Retirement System
- Sheriffs' Retirement System
- Judges' Retirement System
- Highway Patrol Officers' Retirement System
- Firefighters' Unified Retirement System
- Volunteer Firefighters' Compensation Act

The member, employer, and state contributions are set forth in statute. Our findings indicate the projected income stream from the expected contributions will be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability as a level percentage of future payroll, for the following systems. The amortization periods are shown below.

- | | |
|--|------------|
| - Municipal Police Officers' Retirement System | 24.4 years |
| - Highway Patrol Officers' Retirement System | 19.1 years |
| - Firefighters' Unified Retirement System | 18.7 years |

Based on the assumed level of future revenue, the Unfunded Actuarial Liability for the Volunteer Firefighters' Compensation Act is expected to be amortized over less than 20 years. The Judges' Retirement System had an Actuarial Surplus as of July 1, 2004.

Our findings indicate the projected income stream from the expected contributions will not be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability for the following systems. The additional contributions necessary as of July 1, 2004 to amortize the Unfunded Actuarial Liabilities over 30 years are shown below.

- | | |
|---|------------------|
| - Public Employees' Retirement System | 1.19% of payroll |
| - Game Wardens' and Peace Officers' Retirement System | 0.23% of payroll |
| - Sheriffs' Retirement System | 2.15% of payroll |

The general decline in the funded status for each system over the previous two years is primarily due to the fact that recent investment returns have been less than the long-term actuarial assumption of 8% per year.

In preparing the 2004 valuations, we relied upon the financial and membership data furnished by the Public Employees' Retirement Administration. Although we did not audit this



data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations. It should be noted that if any data or other information is inaccurate or incomplete, our calculations might need to be revised.

Information presented in this Actuarial Section as of June 30, 2004, including the following supporting tables, is based on information found in our actuarial valuation reports:

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Composition
- Solvency Test
- Summary of Actuarial (Gain) or Loss by Source
- Summary of Defined Benefit Plan Provisions

In addition, data for the fiscal year ending June 30, 2004, contained in the Schedule of Funding Progress in the Financial Section, are based on information in our valuation reports.

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the actuarial valuations. The Board adopted all of the actuarial methods and assumptions used in the 2004 valuations.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the systems and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuations are appropriate for purposes of the valuations, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the systems. Nevertheless, the emerging costs will vary from those presented in the reports to the extent that actual experience differs from that projected by the assumptions.

I certify that the information included in this report is complete and accurate to the best of my knowledge and belief. The actuarial valuations were prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Statement No. 25 of the Governmental Accounting Standards Board.

Milliman has been engaged by the Retirement Board as an independent actuary. The undersigned is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

Respectfully submitted,

Signature on File

Mark O. Johnson, F.S.A., M.A.A.A., E.A.
Consulting Actuary

Public Employees' Retirement Board

A Component Unit of the State of Montana

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

BACKGROUND

An actuarial valuation of the plans was completed in 2004 by the actuary, Milliman. The most recent experience study was completed in 2004. This experience study investigates the actual experience of each plan administered by the PERB. The actuarial methods and assumptions are described in this section. The methods and assumptions have been chosen by the PERB, based on the actuary's recommendation. The recommendations were formed on the basis of recent experience of the plans and on current expectations as to future economic conditions. Economic assumptions are based on inflation and include general wage increases, investment return and interest on member accounts. Demographic assumptions include general salary increases (including promotions and longevity), retirement, disability, mortality for the specific groups (active members, retired members, disabled members and beneficiaries), other terminations and probability of retaining membership.

The assumptions are intended to estimate the future experience of the plans and the members of the plans in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated cost of the plan's benefits.

RECORDS AND DATA

The data used in the valuation consists of financial information and records of age, ser-

vice and income of contributing members, former contributing members and their survivors. All data supplied to the actuary by the MPERA was accepted for valuation purposes without audit.

ACTUARIAL COST METHOD

A fundamental principle in financing the liabilities of a retirement program is that the cost of benefits should be related to when they are earned, rather than when they are paid. There are a number of methods in use for making the determination.

The funding method used in the valuations is the Entry Age Cost Method. Under this method, the actuarial present value of projected benefits for each individual member included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called the Normal Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future Normal Cost is called the Actuarial Liability.

The excess of the Actuarial Liability over the Actuarial Value of Assets is called the Unfunded Actuarial Liability. If the Actuarial Value of Assets exceeds the Actuarial Liability, the difference is called the Actuarial Surplus.

ASSET VALUATION METHOD

Asset values were supplied by the PERB and were accepted without audit by the actuary.

ACTUARIAL SECTION

The Actuarial Value of Assets is the market value, adjusted by a four-year recognition of gains and losses.

INVESTMENT RETURN

The future investment earnings of the assets of the plans are assumed to accrue at a net annual rate of 8.00%, net of all administrative and investment-related expenses.

INTEREST ON MEMBER CONTRIBUTIONS

With the exception of VFCA, interest on member contributions at the time of the valuation was assumed to accrue at a net annual rate of 5%.

FUTURE SALARIES

Estimates of future salaries are based on two types of assumptions. Rates of increase in the general wage level of the membership are directly related to inflation, while individual salary changes due to promotion and longevity, referred to as the merit scale, occur even in the absence of inflation. The assumed increase in future salaries due to general wage growth is 4.25% per year for all plans. The merit scale is based on years of service and is in addition to the wage growth. The merit scale is calculated independently for each plan based on the factors applicable to the plan. VFCA is excluded from this calculation because members are unpaid volunteers.

MORTALITY

The probabilities of mortality for Healthy Retirees, Beneficiaries and Non-Retired Members are based on 1994 Uninsured Pensioner Tables for males and females and adjusted for each plan as stated in the following table:

Healthy Retirees, Beneficiaries and Non-Retired Members		
	Males	Females
PERS	-1	-1
JRS	-1	-1
HPORS	-1	0
SRS	-1	0
GWPORS	-1	0
MPORS	-1	0
FURS	-1	0

The probabilities of mortality for Disabled Retirees are based on the IRS Revenue Ruling 96-7 Males/Females Table and adjusted for each plan as stated below:

Disabled Retirees		
	Males	Females
PERS	-3	+1
JRS	-3	+1
HPORS	+3	+2
SRS	+3	+2
GWPORS	+3	+2
MPORS	+3	+2
FURS	+3	+2
VFCA	-3	+1

SERVICE RETIREMENT

The assumed rates of service retirement used in the valuations are dependent upon age and years of service and differ between plans. The rates are based on the actual experience of the individual plans as determined in the 2000 experience study. Under all plans, vested, terminated members are assumed to retire when first eligible for an unreduced benefit.

DISABLEMENT

The assumed rates of disablement are dependent upon ages and differ between plans. It is further assumed that 10% of all disabilities are

duty-related, that all disabilities are permanent and that no disabled member will recover and return to work.

OTHER TERMINATIONS OF MEMBERSHIP

The assumed rates of termination, other than for retirement, death, or disability, are calculated individually for each plan. The JRS does not assume termination for any other reason than retirement, death or disability.

TERMINATING MEMBERS ELECTING A REFUND

It is assumed that all terminating members that are non-vested will receive an immediate withdrawal of their member contributions with interest. The probability of a terminating member electing a refund of the member account balance is based on age and different for each plan as described in the actuary valuation. These assumptions do not apply to the JRS or VFCA.

ACTUARIAL AUDIT

An actuarial audit was performed during the 2004 actuarial valuation by Mellon. The audit was performed in conjunction with the valuation by MPERA's actuary, Milliman. The audit was performed to express an opinion regarding the reasonableness and accuracy of the valuation data, actuarial assumptions, actuarial cost methods and valuation results. The scope of the audit included both a technical review of the valuation results and a professional peer review of the actuarial assumptions and methods used by Milliman. Mellon determined from their full scope review that the actuarial valuation of PERS prepared by Milliman, fairly represents the actuarial position and funding requirements of the retirement system. Mellon offered suggestions for enhancement but finds Milliman's actuarial results to be reasonable.

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Valuation Data

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
PERS-DBRP	June 30, 1999	28,662	504	\$ 687,999,902	\$ 24,004	2.08%
	June 30, 2000	29,500	506	725,692,382	24,600	2.48%
	June 30, 2001	29,641	510	771,477,410	26,027	5.80%
	June 30, 2002	29,808	515	808,747,026	27,132	4.24%
	June 30, 2003	28,604	521	848,894,150	29,677	9.38%
	June 30, 2004	28,201	526	832,847,393	29,533	-0.49%
JRS	June 30, 1999	44	1	3,187,891	72,452	1.40%
	June 30, 2000	46	1	3,483,363	75,725	4.52%
	June 30, 2001	48	1	3,655,682	76,160	0.57%
	June 30, 2002	48	1	3,999,689	83,327	9.41%
	June 30, 2003	49	1	4,077,339	83,211	-0.14%
	June 30, 2004	50	1	4,403,432	88,069	5.84%
HPORS	June 30, 1999	186	1	6,313,412	33,943	1.26%
	June 30, 2000	190	1	6,951,916	36,589	7.80%
	June 30, 2001	190	1	7,351,774	38,694	5.75%
	June 30, 2002	194	1	7,536,469	38,848	0.40%
	June 30, 2003	201	1	7,808,953	38,851	0.01%
	June 30, 2004	194	1	7,843,505	40,430	4.07%
SRS	June 30, 1999	617	56	20,920,496	33,907	2.93%
	June 30, 2000	611	56	21,559,395	35,285	4.07%
	June 30, 2001	623	56	22,647,766	36,353	3.02%
	June 30, 2002	642	56	24,521,275	38,195	5.07%
	June 30, 2003	661	56	25,540,317	38,639	1.16%
	June 30, 2004	662	56	27,372,575	41,348	7.01%

The last actuarial valuation was performed as of June 30, 2004.

ACTUARIAL SECTION

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
GWPORS	June 30, 1999	388	8	\$ 9,906,688	\$ 25,533	6.51%
	June 30, 2000	494	8	11,874,942	24,038	-5.85%
	June 30, 2001	521	8	14,881,202	28,563	18.82%
	June 30, 2002	609	8	17,150,523	28,162	-1.40%
	June 30, 2003	664	8	20,034,988	30,173	7.14%
	June 30, 2004	685	8	21,442,218	31,303	3.74%
MPORS	June 30, 1999	554	21	18,952,664	34,211	4.32%
	June 30, 2000	571	21	20,251,728	35,467	3.67%
	June 30, 2001	580	21	20,898,510	36,032	1.59%
	June 30, 2002	585	22	22,228,818	37,998	5.46%
	June 30, 2003	601	22	23,289,318	38,751	1.98%
	June 30, 2004	603	22	24,531,018	40,682	4.98%
FURS	June 30, 1999	426	14	15,756,583	36,987	4.32%
	June 30, 2000	419	14	16,548,691	39,496	6.78%
	June 30, 2001	425	14	16,722,339	39,347	-0.38%
	June 30, 2002	437	16	17,952,794	41,082	4.41%
	June 30, 2003	441	16	18,608,166	42,195	2.71%
	June 30, 2004	438	15	20,031,923	45,735	8.39%
VFCA	June 30, 1999	2,564				
	June 30, 2000	2,502				
	June 30, 2001	2,524				
	June 30, 2002	2,609				
	June 30, 2003	2,629				
	June 30, 2004	2,687				

Covered payroll is not applicable. Members are unpaid volunteers and do not contribute to the fund.

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Composition

as of June 30, 2004

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS	FURS	VFCA ¹
Average Age	47.3	54.8	39.2	41	39.8	38.3	40.3	43.9
Average Service	9.8	9.5	9.7	8.8	5.54	9.9	12.4	8.6
Average Salary	\$ 29,487	\$ 88,770	\$ 38,669	\$ 40,408	\$ 31,023	\$ 40,371	\$ 44,063	N/A
Under Age 25								
Number Members	549	-	2	10	36	13	8	131
Average Salary	\$ 20,271	-	29,189	33,949	25,025	31,185	29,468	-
Ages 25-29								
Number Members	1,363	-	18	61	63	71	43	172
Average Salary	\$ 25,085	-	32,239	37,285	27,628	34,280	36,781	-
Ages 30-34								
Number Members	1,786	-	35	127	132	126	82	258
Average Salary	\$ 27,989	-	33,722	37,595	29,659	36,250	39,530	-
Ages 35-39								
Number Members	2,546	1	45	120	133	150	75	394
Average Salary	\$ 28,074	87,929	38,246	39,493	30,624	38,877	40,265	-
Ages 40-44								
Number Members	3,893	5	49	108	102	114	87	426
Average Salary	\$ 29,490	87,030	40,679	40,948	32,649	42,118	46,066	-
Ages 45-49								
Number Members	5,202	5	24	94	94	57	65	438
Average Salary	\$ 30,481	88,082	42,447	43,815	33,406	45,142	48,437	-
Ages 50-54								
Number Members	5,628	14	12	79	62	26	47	406
Average Salary	\$ 31,757	88,451	45,391	44,058	33,332	44,309	51,785	-
Ages 55-59								
Number Members	4,284	12	8	47	48	15	29	248
Average Salary	\$ 31,002	89,308	43,619	41,825	32,648	53,603	52,472	-
Ages 60-64								
Number Members	2,167	10	1	15	14	-	2	122
Average Salary	\$ 28,615	90,121	56,037	42,018	33,802	-	54,497	-
Ages 66-69								
Number Members	550	2	-	1	1	-	-	53
Average Salary	\$ 24,304	87,929	-	5,104	43,955	-	-	-
Age 70 & Over								
Number Members	233	1	-	-	-	-	-	39
Average Salary	\$ 19,294	87,929	-	-	-	-	-	-

¹ Average Salary is not applicable to VFCA, members are unpaid volunteers.

The last actuarial valuation was performed as of June 30, 2004.

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ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Retirants and Beneficiaries

Added to and Removed from Rolls

Year Ended	Added		Removed		End of Year	Benefits ¹	Average	% Benefit Increase
	No.	Annual Benefits	No.	Annual Benefits			Annual Benefit ²	
PERS-DBRP								
June 30, 1999	680	\$ 602,653	366	\$ 202,566	13,238	\$ 91,521,090	\$ 7,103	5.35%
June 30, 2000	742	657,440	408	250,041	13,572	96,015,987	7,159	0.79%
June 30, 2001	649	561,963	423	194,728	13,798	101,546,131	7,505	4.83%
June 30, 2002	777	1,352,552	459	211,484	14,116	114,662,817	8,453	12.63%
June 30, 2003	735	952,550	450	278,056	14,401	122,203,686	8,672	2.59%
June 30, 2004	861	1,216,589	428	931,433	14,834	132,683,144	9,246	6.62%
JRS								
June 30, 1999	1	1,933	3	5,998	48	1,319,084	31,934	21.14%
June 30, 2000	0	8,412	1	-	47	1,379,363	29,153	-8.71%
June 30, 2001	8	17,030	4	8,937	51	1,430,623	28,771	-1.31%
June 30, 2002	0	8,215	0	-	51	1,566,110	30,704	6.72%
June 30, 2003	0	493	1	1,790	50	1,551,557	31,007	0.99%
June 30, 2004	1	12,298	1	2,763	50	1,670,457	33,295	7.38%
HPORS								
June 30, 1999	13	30,634	3	2,244	254	4,085,281	15,444	5.20%
June 30, 2000	11	29,063	4	3,014	261	4,396,044	16,227	5.07%
June 30, 2001	5	19,358	6	5,709	260	4,624,420	16,920	4.27%
June 30, 2002	7	26,750	2	2,714	265	4,861,329	17,677	4.48%
June 30, 2003	6	26,956	4	3,658	267	5,159,762	18,669	5.61%
June 30, 2004	8	33,952	1	1,342	274	5,492,910	19,583	4.89%
SRS								
June 30, 1999	41	61,593	3	313	213	2,364,489	12,318	14.07%
June 30, 2000	31	42,395	2	2,569	242	2,929,550	12,733	3.37%
June 30, 2001	21	31,561	1	2,044	262	3,293,535	13,305	4.49%
June 30, 2002	23	41,777	5	5,462	280	3,699,727	13,959	4.92%
June 30, 2003	29	57,961	3	759	306	4,307,060	15,059	7.89%
June 30, 2004	22	56,415	5	4,447	323	4,902,832	16,250	7.91%

¹Includes active death benefit payments.

²Based on June monthly benefit totals.

The last actuarial valuation was performed as of June 30, 2004.

ACTUARIAL SECTION

Year Ended	Added		Removed		End of Year	Benefits ¹	Average	% Benefit Increase
	No.	Annual Benefits	No.	Annual Benefits			Annual Benefit ²	
GWPORS								
June 30, 1999	2	\$ 5,238	0	\$ -	80	\$ 1,153,214	\$ 14,777	2.90%
June 30, 2000	2	4,650	0	-	82	1,210,991	15,097	2.17%
June 30, 2001	0	-	3	2,172	79	1,235,308	15,566	3.11%
June 30, 2002	3	4,827	3	3,099	79	1,230,427	15,828	1.69%
June 30, 2003	4	12,749	1	1,094	82	1,316,309	16,955	7.12%
June 30, 2004	4	9,071	1	2,123	85	1,459,817	17,496	3.19%
MPORS								
June 30, 1999	20	51,963	10	9,011	540	8,278,547	15,603	4.40%
June 30, 2000	14	37,041	13	14,831	541	8,653,105	16,093	3.14%
June 30, 2001	22	85,521	10	11,826	553	9,124,506	17,414	8.21%
June 30, 2002	14	49,240	13	18,007	554	9,844,541	18,045	3.62%
June 30, 2003	19	63,743	8	10,705	565	10,425,561	18,866	4.55%
June 30, 2004	17	58,062	11	15,443	571	10,885,372	19,576	3.76%
FURS								
June 30, 1999	20	56,624	13	41,695	457	6,995,439	15,680	6.24%
June 30, 2000	23	58,248	12	16,667	468	7,517,677	16,402	4.60%
June 30, 2001	21	48,753	15	17,543	474	8,017,761	17,072	4.09%
June 30, 2002	17	68,260	10	13,248	481	8,507,526	18,203	6.63%
June 30, 2003	12	50,432	13	14,906	480	9,080,598	19,132	5.10%
June 30, 2004	22	84,167	4	6,632	498	9,674,137	20,384	6.54%
VFCA								
June 30, 1999	49	4,255	18	1,325	792	813,527	1,025	0.30%
June 30, 2000	72	6,085	25	2,025	839	843,649	1,029	0.41%
June 30, 2001	54	4,750	31	2,585	862	881,855	1,032	0.26%
June 30, 2002	68	42,780	46	2,510	884	1,410,768	1,542	49.47%
June 30, 2003	62	8,160	25	3,045	921	1,411,936	1,551	0.58%
June 30, 2004	59	11,340	36	3,915	944	1,478,648	1,614	4.07%

ACTUARIAL SECTION

Public Employees' Retirement Board A Component Unit of the State of Montana

Solvency Test

(in thousands)

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1)	(2)	(3)		(1)	(2)	(3)
		Active Member Accounts	Retirants and Beneficiaries	Active Members (ER Financed portion)				
PERS-DBRP	06/30/00	\$ 572,536	\$ 1,049,012	\$ 651,859	\$ 2,843,347	100%	100%	187%
	06/30/02	645,403	1,366,634	1,065,727	3,076,781	100	100	100
	06/30/04	684,607	1,640,145	1,189,333	3,047,287	100	100	61
JRS	06/30/00	2,573	17,204	7,588	42,043	100	100	293
	06/30/02	2,708	18,977	9,197	44,963	100	100	253
	06/30/04	3,271	20,106	11,347	45,134	100	100	192
HPORS	06/30/00	6,174	57,422	12,801	77,810	100	100	111
	06/30/02	6,797	68,800	19,253	81,734	100	100	32
	06/30/04	6,914	76,936	20,219	79,104	100	94	0
SRS	06/30/00	17,261	37,124	33,451	126,338	100	100	215
	06/30/02	20,108	55,458	46,059	138,590	100	100	137
	06/30/04	21,643	75,982	50,983	141,022	100	100	85

⁽¹⁾ "Active Member Accounts" includes Regular and Additional Contributions with interest, and excludes all accounts of inactive members.

The last actuarial valuation was performed as of June 30, 2004.

ACTUARIAL SECTION

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1)	(2)	(3)		(1)	(2)	(3)
		Active Member Accounts	Retirants and Beneficiaries	Active Members (ER Financed portion)				
GWPORS	06/30/00	5,851	12,313	5,758	32,966	100	100	257
	06/30/02	8,857	14,005	16,247	38,730	100	100	98
	06/30/04	12,371	18,034	19,905	45,210	100	100	74
MPORS	06/30/00	18,465	111,855	43,789	129,826	100	94	0
	06/30/02	20,854	144,055	61,918	143,516	100	85	0
	06/30/04	23,317	159,767	77,010	149,510	100	79	0
FURS	06/30/00	16,083	100,260	45,986	123,492	100	100	16
	06/30/02	18,297	121,922	57,727	136,392	100	97	0
	06/30/04	20,215	142,894	64,490	142,109	100	85	0
VFCA	06/30/00	-	9,614	7,138	17,769	100	100	114
	06/30/02	-	15,631	11,177	19,254	100	100	32
	06/30/04	-	16,578	12,102	20,058	100	100	29

Active member accounts are not applicable. Members are unpaid volunteers.

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Actuarial (Gain) or Loss by Source

(in thousands)

PERS-DBRP	
Investment (Gain) or Loss	\$ 477,405
Demographic (Gain) or Loss	4,867
Changes in Assumptions	18,075
Total Actuarial (Gain) or Loss	\$ 500,347

JRS	
Investment (Gain) or Loss	\$ 6,976
Demographic (Gain) or Loss	(161)
Changes in Assumptions	3
Total Actuarial (Gain) or Loss	\$ 6,818

HPORS	
Investment (Gain) or Loss	\$ 12,922
Demographic (Gain) or Loss	1,241
Changes in Assumptions	252
Total Actuarial (Gain) or Loss	\$ 14,415

The last actuarial valuation was performed as of June 30, 2004.

SRS		
Investment (Gain) or Loss	\$	21,227
Demographic (Gain) or Loss		3,137
Changes in Assumptions		3,616
Total Actuarial (Gain) or Loss	\$	27,980

GWPORS		
Investment (Gain) or Loss	\$	5,607
Demographic (Gain) or Loss		208
Changes in Assumptions		(162)
Total Actuarial (Gain) or Loss	\$	5,653

MPORS		
Investment (Gain) or Loss	\$	21,793
Demographic (Gain) or Loss		1,722
Changes in Assumptions		3,075
DROP Benefit		603
Total Actuarial (Gain) or Loss	\$	27,193

ACTUARIAL SECTION

Public Employees' Retirement Board *A Component Unit of the State of Montana*

Summary of Actuarial (Gain) or Loss by Source (cont) (in thousands)

FURS		
Investment (Gain) or Loss	\$	20,845
Demographic (Gain) or Loss		5,796
Changes in Assumptions		803
Total Actuarial (Gain) or Loss	\$	27,444

VFCA		
Investment (Gain) or Loss	\$	2,238
Demographic (Gain) or Loss		(1,058)
Changes in Assumptions		592
Plan Amendment		36
Total Actuarial (Gain) or Loss	\$	1,808

The last actuarial valuation was performed as of June 30, 2004.

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ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Defined Benefit Plan Provisions

The summary of plan provisions as of June 30, 2004, is presented separately for each plan.

Public Employees' Retirement System-DBRP

Normal Retirement	Eligibility:	Age 65 regardless of membership service, or Age 60 and 5 years of membership service, or 30 years of membership service regardless of age.
	Benefit:	Years of service credit, multiplied by highest average compensation (highest 36 consecutive months), multiplied by 1/56th if membership service at retirement is less than 25 years, or multiplied by 1/50th if membership service at retirement is at least 25 years.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the remaining balance of the member's contribution account.
Early Retirement	Eligibility:	Age 50 and 5 years of membership service or 25 years of membership service regardless of age.
	Benefit:	Actuarial equivalent of the accrued benefit based on retirement at age 60 or 30 years of membership service.
Disability Retirement	Eligibility:	5 years of membership service
	Benefit:	If hired on or before February 24, 1991, the greater of (a) and (b) below: (a) Years of service credit, multiplied by highest average compensation, multiplied by 90% of 1/56th (1/50th if 25 or more years of membership service), or (b) Highest average compensation multiplied by 25%.

If hired after February 24, 1991:

(a) Years of service credit, multiplied by highest average compensation, multiplied by 1/56th (1/50th if 25 or more years of membership service).

Death before Retirement	Eligibility:	Prior to 5 years of membership service
	Benefit:	The sum of (a) and (b) below: (a) Return of member contributions with interest, (b) Lump sum payment of one month's salary up to a maximum of six months' salary.
	Eligibility:	5 years of membership service
	Benefit:	Either the sum of (a) and (b), or (c) below: (a) Return of member contributions with interest, and (b) Lump sum payment of one month's salary up to a maximum of six months' salary, or (c) Actuarial equivalent of the accrued benefit at the time of death of the member.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	An annual adjustment (GABA) of 3.0% commencing January 1st, one year after retirement.
Contributions	Members:	6.90% of members' compensation
	Employers:	6.90% of members' compensation (offset by 0.10% of members' compensation paid by the State for local government and school district employers).

ACTUARIAL SECTION

Judges' Retirement System

Normal Retirement	Eligibility:	Age 60 and 5 years of membership service.
	Benefit:	(1) If hired before July 1, 1997, the sum of (a) and (b) below: (a) Years of service credit (up to 15), multiplied by current salary, multiplied by 3-1/3%, plus (b) Years of service credit (over 15), multiplied by current salary, multiplied by 1.785%.
		(2) If hired on or after July 1, 1997 or electing GABA: (a) Same formula as above, substituting highest average compensation for current salary.
	Normal Form:	For non-GABA members - the monthly benefit for the life of the member, with a final payment equal to the accumulated contributions of the member account at retirement less the sum of all payments made to the date of death. This final payment may be annuitized.
		For GABA members - monthly benefit for the life of the member, with a final payment equal to the remaining balance of the member's contribution account.
Disability Retirement	Eligibility:	Service disablement
	Benefit:	For non-GABA members - 50% of current salary. For GABA members - 50% of highest average compensation.
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.

ACTUARIAL SECTION

Death before Retirement	Eligibility:	Service death
	Benefit:	Accrued benefit commencing at time of death.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit: Either	(a) or (b) below, as elected: (a) An annual adjustment (GABA) of 3.0%, commencing January 1st, one year after retirement for members hired on or after July 1, 1997, if elected by the member, or (b) The annual increase in compensation to active members.
Contributions	Members:	7.00% of members' compensation.
	Employers:	25.81 % of members' compensation.

ACTUARIAL SECTION

Highway Patrol Officers' Retirement System

Normal Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Early Retirement	Eligibility:	5 years of membership service and discontinued from service
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.
Disability Retirement	Eligibility:	Service disablement
	Benefit:	Minimum of 50% of highest average compensation.
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation, less benefits paid from workers' compensation.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below, as elected: (a) An annual adjustment (GABA) of 3%, commencing January 1st one year after retirement, or (b) 2% per year of service of the base salary of a probation officer, but not to exceed an increase of 5% per year.
	Lump Sum:	For members retired prior to July 1, 1991, a lump sum payment limited to the increase in the Consumer Price Index.
Contributions	Members:	Either (a) or (b) below: (a) 9.00% of members' compensation if hired prior to July 1, 1997, or (b) 9.05% for members hired after June 30, 1997 and those electing GABA.
	Employers:	36.33% of members' compensation.

ACTUARIAL SECTION

Sheriffs' Retirement System

Service Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the remaining balance of the member's contribution account.
Early Retirement	Eligibility:	5 years of membership service and attainment of age 50.
	Benefit:	Actuarial equivalent of the accrued benefit based on retirement at the earlier of completing 20 years of service credit, or age 60.
Disability Retirement	Eligibility:	Service disablement
	Benefit:	Minimum of 50% of highest average compensation. If more than 20 years of service credit, years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age after completing 20 years of membership service or age 60.
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 65 or completing 20 years of membership service.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on 20 years of membership service or a retirement age 60; commencing no sooner than the first day of the month following the member's 50th birthday.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries
	Benefit:	An annual adjustment (GABA) of 3.0% commencing January 1st, one year after retirement
Contributions	Members:	9.245% of members' compensation.
	Employers:	9.535% of members' compensation.

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Game Wardens and Peace Officers' Retirement System

Service Retirement	Eligibility:	Age 50 and 20 years of membership service.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the remaining balance of the member's contribution account.
Early Retirement	Eligibility:	5 years of membership service and age 55
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%
Disability Retirement	Eligibility:	5 years of membership service, and service disablement
	Benefit:	50% of highest average compensation. If the member has more than 20 years of service credit, 2.5% of highest average compensation multiplied by years of service credit
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 50.
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation. If the member has more than 25 years of service credit, 2.0% of highest average compensation multiplied by years of service credit
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 55.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Accrued benefit at age 55
Benefit Adjustments	Eligibility:	Retired members and beneficiaries
	Benefit:	An annual adjustment (GABA) of 3.0% commencing January 1st, one year after retirement
Contributions	Members:	10.56% of members' compensation.
	Employers:	9.00% of members' compensation.

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Municipal Police Officers' Retirement System

Service Retirement	Eligibility:	20 years of membership service regardless of age or 5 years of membership service and age 50
	Benefit:	Years of service credit, multiplied by 2.5%, multiplied by (a) if hired before July 1, 1977: Average monthly compensation during final year of service, or (b) if hired on or after July 1, 1977: Average regular monthly compensation (for last consecutive 36 months).
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Disability Retirement	Eligibility:	Immediate
	Benefit:	If hired before July 1, 1977: Minimum of 50% of base salary. If hired on or after July 1, 1977: Minimum of 50% of final average compensation.
Death before Retirement	Eligibility:	Immediate
	Benefit:	If hired before July 1, 1977: Minimum of 50% of base salary. If hired on or after July 1, 1977: Minimum of 50% of final average compensation.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 50.

Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below, as elected by the member: (a) An annual adjustment (GABA) of 3.0%, commencing one year after retirement for members hired on or after July 1, 1997, or if elected by the member, or (b) 50% of the salary of a newly confirmed police officer in the city in which the member was employed.
Contributions	Members:	Either (a), (b), (c), (d), or (e) below: (a) If hired prior to June 30, 1975: 5.80% of members' compensation, or (b) If hired after June 30, 1975 and prior to July 1, 1979: 7.00% or (c) If hired after June 30, 1979 and prior to July 1, 1997: 8.50%. or (d) If hired on or after July 1, 1997: 9.00%, or (e) For members electing the GABA, 9.00%
	Employers:	14.41% of members' compensation.
	State:	29.37% of members' compensation.

ACTUARIAL SECTION

Municipal Police Officers' Retirement System (cont.)

MPORS DROP	Eligibility:	20 years of membership service
	Benefits:	<p>Eligible members may elect to participate in the DROP for a period of up to 5 years.</p> <p>A monthly DROP service retirement allowance is calculated based on the member's compensation and service at the beginning of the DROP period. This monthly benefit is deposited into a DROP account. The DROP account also is credited with investment earnings equal to the rate of earnings on the trust fund, but not less than 0% in any fiscal year.</p> <p>The monthly DROP benefit receives GABA or minimum benefit adjustments that would apply if the member was receiving a service retirement benefit during the DROP period.</p> <p>If the member dies or becomes disabled during the DROP period, the accumulated DROP account as of the date of death or disability is payable to the member or the member's beneficiary, plus the DROP annuity with increases as applied through the date of death or disability is payable to the disabled member or to the deceased member's survivors, if any.</p> <p>At the end of the DROP period the DROP account is paid to the member, and the member begins receiving a monthly retirement benefit equal to the monthly DROP benefit with all GABA or minimum benefit adjustments made during the DROP period, and the monthly benefit continues to receive GABA or minimum benefit adjustments thereafter.</p>
	Contributions:	During the DROP period, member, employer, and state contributions continue to be made to the trust fund at the same rates as for any other active plan member.

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ACTUARIAL SECTION

Firefighters' Unified Retirement System

Normal Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	<p>If hired prior to July 1, 1981, and those not electing GABA - the greater of:</p> <ul style="list-style-type: none">(a) 2.5% of final average compensation, multiplied by years of service credit or(b) i. If less than 20 years of membership service, 2% of final average compensation, multiplied by years of service creditii. If greater than 20 years of membership service, 50% of final average compensation, plus years of service in excess of 20, multiplied by final average compensation, multiplied by 2.00% <p>If hired on or after July 1, 1981, and those electing GABA, years of service credit, multiplied by final average compensation, multiplied by 2.50%</p>
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Disability Retirement	Benefit:	<ul style="list-style-type: none">(a) If less than 20 years of membership service, 50% of final average compensation.(b) If greater than 20 years of membership service, 2.5% of final average compensation for each year of service credit.
Death before Retirement	Benefit:	<ul style="list-style-type: none">(a) If less than 20 years of membership service, 50% of final average compensation.(b) If greater than 20 years of membership service, 2.5% of final average compensation for each year of service credit.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Accrued benefit at age 50.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Greater of (a) or (b) below: (a) An annual adjustment (GABA) of 3.0% commencing on January 1st, one year after retirement for members hired on or after July 1, 1997, or if elected by the member, or (b) members with at least 10 years of service and who did not elect GABA - 50% of the salary of a newly confirmed firefighter in the city in which the member was employed.
Contributions	Members:	Either (a) or (b) below: (a) 9.50% of members' compensation if hired prior to July 1, 1997, or (b) 10.70% for members hired after June 30, 1997 or electing the GABA.
	Employers:	14.36% of members' compensation.
	State:	32.61 % of members' compensation.

ACTUARIAL SECTION

Volunteer Firefighters' Compensation Act

Service Retirement	Eligibility:	Age 55 and 20 years of service, or Age 60 and 10 years of service.
	Benefit:	\$7.50 per year of service, up to a maximum of 20 years of service.
Additional Retirement	Eligibility:	After July 1, 2003, member must be age 55 and have 20 years of service and continue to be an active volunteer.
	Benefit:	\$7.50 per year of service beyond 20 years, Maximum benefit \$225 per month (30 years)
	Normal Form:	Monthly benefit for the life of the member, with no survivorship benefits.
Disability Retirement	Eligibility:	Service disability.
	Benefit:	\$7.50 per year of service, with a minimum of \$75 and a maximum of \$150 per month.
Death before Retirement	Eligibility:	10 years of service.
	Benefit:	\$7.50 per year of service.
Termination Benefit	Eligibility:	Accrued benefit at retirement age of 60.
Contributions	Members:	None.
	State:	5% of premium taxes collected.